

DIRECT TESTIMONY

OF

BRUCE LARSON

ELECTRIC SECTION - ENGINEERING DEPARTMENT

ENERGY DIVISION

ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION
ON ITS OWN MOTION

-VS-

COMMONWEALTH COMPANY
DOCKET NOS. 99-0282 AND 99-0273 (CONSOLIDATED)

JUNE 1999

1 1. **Q. Please state your name and business address.**

2 A. My name is Bruce A. Larson and my business address is 527 East Capitol Avenue,
3 Springfield, Illinois.

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5 2. **Q. By whom are you employed and in what capacity?**

6 A. I am employed by the Illinois Commerce Commission as a Senior Analyst in the
7 Electric Section in the Engineering Department of the Energy Division.

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9 3. **Q. Please state your educational background.**

10 A. I received a Bachelor of Science Degree in Electrical Engineering from Purdue
11 University in December 1975. I am a Registered Professional Engineer in Illinois. I
12 joined the Staff of the Illinois Commerce Commission ("Staff") most recently in
13 January 1990.

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15 4. **Q. What is the purpose of this docket?**

16 A. The Illinois Commerce Commission has opened an investigation pursuant to
17 Section 16-111(g) of the Public Utilities Act ("Act") (220 ILCS 5/16-111(g))
18 concerning Commonwealth Edison Company's ("ComEd") proposed sale of fossil
19 fuel fired generating plants.

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21 5. **Q. What are your duties and responsibilities associated with this docket?**

22 A. ComEd is proposing to sell its fossil fuel fired electric generating plants to Edison
23 Mission Energy ("Mission"). Section 16-111(g)(4)(vi) of the Act provides the
24 Commission with the authority to prohibit the transaction if the transaction will

render ComEd unable to provide its tariffed service in a safe and reliable manner. It is my responsibility to determine whether the proposed transaction will render ComEd unable to provide its tariffed services in a safe and reliable manner.

6. Q. Please summarize the conclusions made in your direct testimony.

A. I am currently missing certain data that is required for me to express an opinion. To date, I have found nothing that would lead me to conclude the proposed transaction will render ComEd unable to provide its tariffed services in a safe and reliable manner.

7. Q. What method are you using to determine whether the proposed transaction will render ComEd unable to provide its tariffed services in a safe and reliable manner?

A. To date, ComEd has operated the facilities it is selling in a manner which provides safe and reliable service to its customers. I have reviewed ComEd's testimony and the terms of the Purchase Power Agreements ("PPAs") to determine whether the availability and operation of the transferred units will differ in any substantive way from the availability and operation of these plants under management by ComEd. The three PPAs are the Coal-Fired Stations PPA, the Peaking Units PPA and the Collins PPA. Together, the 3 PPAs encompass all of ComEd's fossil fuel generating stations. The PPAs set forth the relationship between ComEd operations and Mission after the sale takes place.

8. **Q. Will the PPAs substantially change how ComEd will be able to provide safe and reliable service to ComEd's customers?**

A. Based on the information I have reviewed thus far, I do not believe the PPAs will have that effect. The direct testimony of ComEd witnesses Daniel E. Thone (ComEd Exhibit 3.0) and Robert J. Manning (ComEd Exhibit 1.0) explain how ComEd will maintain its service obligations under the PPAs. In my opinion, the following terms of the PPAs are significant to ComEd's ability to provide safe and reliable service after transfer of the fossil units:

- Under the PPAs, ComEd is entitled to an amount of generating capacity from the fossil units equal to their current monthly net dependable capacities (PPAs Sec. 3 & 6(b)(i)). ComEd has reserved certain amounts of capacity each year. The amount of reserved capacity starts at about 90% of the total capacity and drops off at 10 percentage points each year. ComEd has the option to take the remaining capacity although at higher prices. This is not significantly different from what ComEd would receive if it owned the units.
- There are several economic incentives for Mission to perform, especially during the summer months. For example, the PPAs have much higher summer month capacity charges than non-summer months. There are adjustment factors used that are based on the units' equivalent availability and the availability standard¹ is higher in the summer months (PPAs Sec. 1(a) "Adjustment Factor" and the various "Capacity Charge" definitions). Mission is rewarded if it keeps the stations in good working order and penalized if it does not.

¹ The standard is the equivalent availability that results in an adjustment factor of one.

- ComEd will continue to dispatch the reserved and optioned generating units (PPAs Sec. 4(c)).
- The PPAs require Mission to operate the stations consistent with “Prudent Utility Practice”, which is defined in the PPAs, and all applicable standards of MAIN, NERC and any ISO (PPAs Sec. 6(a)).
- The PPAs forbid a planned outage during the summer season, May 15th through September 15th (PPAs Sec. 6(c)(i)). This is an improvement over the present agreements ComEd has for the purchase of power from its former Kincaid and State Line stations.
- ComEd can modify any planned outage schedule six months prior to the outage, with only minor limitations. (PPAs, Sec 6(c)).
- Mission cannot sell or assign any of the fossil units during the term of the PPA without the consent of ComEd (PPAs, Sec. 12(c)).

9. **Q. Does ComEd’s testimony indicate whether ComEd will be able to provide safe and reliable service after cancellation of the PPA?**

A. Yes, it does. In direct testimony (ComEd Exhibit 1.0 and 3.0), ComEd explains how various regulatory and contractual requirements will ensure continued reliability upon cancellation of the PPAs. The main points of the testimony are as follows:

- The terms of the PPAs run through 2004, which will give ComEd adequate time to make system improvements or arrange for additional generation. ComEd is committed to add generation itself if necessary. (ComEd Ex 1.0, p 17)
- ComEd retains the output of its nuclear units (minus Zion), and its contractual rights to the output of Kincaid and State Line Stations. (ComEd Ex 3.0, p 8)
- ComEd has first rights with respect to 500 MW of capacity that must be built by Mission in the city of Chicago. (ComEd Ex 3.0 p 10)
- By 2005, there may be an independent system operator ("ISO") or transmission company which will have responsibility for operating and maintaining the regional transmission system.
- Mission, ComEd or other generation operating in the ComEd control area will provide voltage support and import capability even if that generation is not operating directly to serve ComEd load.
- ComEd will have other contractual arrangements with Mission, such as interconnection and transmission service agreements.
- Significant new generating capacity is planned and under construction in ComEd's control area (ComEd Ex. 3.1).

10. Q. If an ISO or Transmission Company is not in place by the time the PPAs is cancelled, do you believe this would cause ComEd's reliability to suffer?

A. No. It would only mean that ComEd, not the ISO or transmission company, would be responsible, as ComEd is now, for assuring safe operation of the transmission system in ComEd's control area.

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115 11. Q. **Based upon the information that have reviewed to date, do you believe the**
116 **transfer of ComEd's fossil generating stations will render ComEd unable to**
117 **provide its tariffed service in a safe and reliable manner?**

118 A. No. During the term of the PPAs, the operation of the fossil units will not differ
119 significantly from their operation if owned by ComEd. In fact, the same individuals
120 who currently operate and maintain the fossil stations for ComEd will become
121 Mission employees. After the expiration of the PPAs, contractual and regulatory
122 constraints will maintain system reliability. Mission needs ComEd's transmission
123 system to deliver Mission's power. It is not in Mission's interest to jeopardize the
124 reliability and operation of ComEd's transmission system.

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126 12. Q. **Is there any other information you believe ComEd should provide to support**
127 **its assertion that it will continue to provide safe and reliable service after the**
128 **sale of the Stations?**

129 A. Yes. The Company should provide a load and resource statement for plausible
130 outcomes of customer choice, such as those used by ComEd for the financial
131 analysis, and an additional case in-between. For any instances where ComEd's
132 reserve margin falls below 15%, the Company should explain how it intends to
133 reliably serve the demand in that case.

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135 13. Q. **Does this complete your direct testimony?**

136 A. Yes, it does.